UNITED NATIONS

UNFCCC Framework Convention on Climate Change

Distr.
GENERAL

FCCC/SBSTA/2001/7
12 September 2001

Original: ENGLISH

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE
Fifteenth session
Marrakesh, 29 October – 9 November 2001,
Item 9 of the provisional agenda

ACTIVITIES IMPLEMENTED JOINTLY UNDER THE PILOT PHASE

Fifth synthesis report on activities implemented jointly under the pilot phase

Note by the secretariat

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I. INTRODUCTION

A. Mandate

1. At its first session, the Conference of the Parties (COP) decided to consider annually a synthesis report on the pilot phase of activities implemented jointly (AIJ) to be prepared by the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA), with the assistance of the secretariat (decision 5/CP.1).[1]

B. Scope of the note

2. This document contains the fifth synthesis report on activities implemented jointly under the pilot phase. It provides a synthesis of the most recent information available for 152 AIJ project activities, among them twelve new ones. In accordance with the provisions on frequency of reporting defined in the reporting framework of AIJ under the pilot phase, reports can be submitted at any time, but the Conference of the Parties annually sets a deadline for the submission of information to be considered in the synthesis report for its subsequent session. For this report the deadline was 15 June 2001, as indicated in the draft decision on activities implemented jointly under the pilot phase contained in document FCCC/CP/2001/2/Add.5.[2]

C. Possible action by the subsidiary bodies

3. At the fifteenth session of the SBSTA, Parties may wish:

(a) To take note of the fifth synthesis report;

(b) To prepare a draft decision for the COP and forward it, through the SBI, if appropriate, to the COP.

II. FINDINGS

4. The **number of AIJ project activities and Parties involved in AIJ** continued to increase from the year 2000 to the year 2001. By 15 June 2001, information was available on a total of 152 AIJ project activities which represents approximately an 8 per cent increase over the year 2001.[3] Ten of the twelve new project activities were hosted by Parties not included in Annex I to the Convention (non-Annex I Parties) and two project activities were hosted by Parties with economies in transition (EITs). A quarter of the Parties to the Convention are engaged in the AIJ pilot phase. Four additional non-Annex I Parties have joined those hosting projects and the number of investing Parties increased from eleven to twelve, bringing the total to 53 Parties. Non-Annex I Parties now represent over 70 per cent of all host Parties (see annex, figure 1).

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[1] FCCC/CP/1995/7/Add.1.

[2] All activities are reported jointly as accepted, approved or endorsed by the relevant designated national authorities including proof, under official letterhead, of concurrence, approval, acceptance or endorsement of the information by all other Parties involved.

[3] The detailed list of projects with links to the respective reports is available on the UNFCCC CC:INFO/AIJ web site (http://www.unfccc.int/issues/aij.html).

5. The **distribution of project activities between Annex I and non-Annex I host Parties**[4] continued to change gradually in favour of the latter, although EITs still account for 56 (59)[5] per cent.[6] There has been a slight change in **distribution amongst the three regional groups within non-Annex I Parties** as the number of projects increased from 37 to 39: there has been a decrease in the share of AIJ project activities in the Latin America and Caribbean (LAC) region (58 (64) per cent), while the Asia and Pacific region (28 (25) per cent) and Africa (13 (11) per cent) raised their share as compared to the year 2000 (see annex, figure 2).

6. Project activities remain unevenly distributed **within regions**. Of the 85 AIJ projects carried out in Annex I Parties, more than half continue to be concentrated in two EIT countries, namely in Latvia (25) and in Estonia (21). In the LAC region, Costa Rica leads with nine project activities followed by Mexico and Bolivia (five each). In Africa and the Asia and Pacific regions, no Party hosts more than two project activities.[7]

7. Regarding **types of AIJ project activities,** the trend towards energy-related project activities was reinforced through the addition of four new project activities in renewable energy, three in energy efficiency, two in fugitive gas capture and one in fuel switching. In comparision, only two new afforestation project activities were added.[8] With the recent addition of nine non-forestry projects in non-Annex I host Parties, the **geographic distribution by type of activity** is becoming more balanced. It may be noted however, that almost all forestry projects are located in non-Annex I Parties (see annex, figure 3).

8. The number of **host Parties gathering a variety of experience,** i.e. with more than one project activity, is increasing.[9] For the first time, project activities were reported which involve more than one investor Party: Indonesia and Jordan both host a project activity in which companies from different Annex I Parties are engaged.

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[4] In analysing the distribution of projects, it should be borne in mind that a significant number (55) of small activities of a similar type are being carried out in three EIT host Parties. These projects are in the areas of energy efficiency (mainly improvement of municipal district heating systems) and renewable energy (conversion to bio-fuel boilers). These projects are small in terms of investment and greenhouse gas (GHG) impact; other project hosts and investors have clustered such activities and reported them in an aggregated manner as one project.

[5] Figures in parentheses represent values for the year 2000.

[6] In 1997 the share of EITs was 70 per cent of all AIJ project activities.

[7] Within the LAC region, Costa Rica hosts nine projects, Mexico and Bolivia have five and Chile and Honduras four (three) activities each. Guatemala hosts three (two), and Argentina, Belize and Ecuador two projects each. El Salvador, Nicaragua and Panama have one project each. In the Asia and Pacific region, project activities are distributed as follows: Bhutan, Fiji, India, Jordan, Sri Lanka and Thailand host one each, Solomon Islands and Viet Nam host two and China and Indonesia four project activities each. In the African region, Burkina Faso, Equatorial Guinea, Mali, Mauritania, Morocco and Zimbabwe host one each and Mauritius and South Africa two projects each.

[8] Distribution by type: 61 (58) in energy efficiency; 53 (49) in renewable energy; nine (seven) in fugitive gas capture; ten (nine) in fuel switching; two (two) in agriculture; four (two) in afforestation; and 13 (12) in forest preservation or restoration or in reforestation.

[9] One EIT Party is gathering experience with five different types of activities, four (three) hosts in the LAC region have four different project types each, while three (two) EIT countries and one (no) ASP country is gaining experience with three different project types. Thirteen hosts are involved in two project types each. The remaining 19 (17) hosts have just one type of activity.

9. If the type of activity is related to the share of estimated **GHG emissions reduced or sequestered** [10] (in CO_2 equivalent), the growing importance of non forest-related project activities has been confirmed: from 35 per cent in 1999 to 65 per cent in the year 2001. Over the last year, however, this is largely due to the addition of one single fugitive gas project which in itself represents 16 per cent of the total (see annex, figure 4).

10. Regarding the **real, measurable and long-term environmental benefits related to climate change that would not have occurred in the absence of the AIJ project activity**, the **general** level of reporting has improved as experience has grown. However, no significant advancements in the elaboration of baselines and additionality criteria were introduced as compared to last year. Most reports contain brief descriptions of project baselines but no actual data sets. Some Parties used baselines, such as for energy efficiency projects which assume no change in the pattern of energy consumption over the lifetime of the activity. Other Parties foresaw a continuation of present trends, for example declining carbon stocks and the prevalence of unsustainable energy consumption patterns. In some cases, assumptions imply that there would be no technological advance or energy efficiency improvements in the absence of an AIJ project activity.

11. Most reports state that local and/or national organizations are responsible for the majority of the AIJ data collection and related monitoring activities during the operational phase of projects. Responsibilities for carrying out measurements were generally assigned to national and municipal institutions and, in some cases, to private organizations of the host country. For the first time, the reporting on a few energy efficiency and fuel switching projects incorporated an evaluation of projected and real emission reduction levels by a third party certification company and a technical support company. These companies reviewed projected and real values of some of the project activities involving Sweden and Lithuania. While other experiences with third party private sector verification of AIJ activities are known to exist, the Parties involved have not reported on this experience in the context of the AIJ pilot phase.[11]

12. In **reporting** on new AIJ project activities, Parties used, with a few exceptions, the URF adopted by the SBSTA at its fifth session.[12] In one case, the draft revised URF[13] was used. The experience with reporting suggests that brief guidelines accompanying the URF would facilitate its completion and subsequent analyses.

13. With regard to the **financial status**, reports generally lack information which would allow comparisons. For two thirds of project activities, sufficient secured financial resources are reported. The share of the investment flow from the private sector increased moderately in comparison to that from public sources. Public funding includes sources from investing Parties

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[10] Information is available for 139 (127) AIJ project activities. No data is available from thirteen project activities in the following areas: afforestation (one), energy efficiency (eight), fuel switching (three) and fugitive gas capture (one).

[11] A presentation on the verification of the Norway-Mexico AIJ project High Efficiency Lighting (ILUMEX) is available (see "Technical Workshop on the Mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol - Compendium of Presentations", tenth sessions of the subsidiary bodies).

[12] FCCC/SBSTA/1997/4.

[13] FCCC/SB/2000/6/Add.1.

and/or host Party contributions. Private sector sources are mainly from companies operating in the energy sector.

14. No new **national AIJ programmes** were reported. One Party provided an update on activities covered in earlier reports. Detailed information on some of these programme reports is available in electronic format on the UNFCCC web site.[14]

15. For the following sections of the URF, no new information was provided, and reference is made to the findings contained in the previous synthesis reports: cost information, to the extent possible (A.4); mutually agreed assessment procedures (A.5); compatibility with, and supportiveness of, national economic development and socio-economic and environment priorities and strategies (C); benefits derived from the AIJ project (D); capacity-building, transfer of environmentally sound technology and know-how (G); and additional comments (H).

16. The conclusions regarding **capacity-building and transfer of knowledge** further confirm the findings reflected in the review of the AIJ pilot phase,[15] namely that over the last two years most of the capacity-building efforts have aimed not only at AIJ but mainly at facilitating the participation of host Parties in the clean development mechanism and in Article 6 projects under the Kyoto Protocol. Capacity-building was done through workshops, meetings and the exchange of information.

17. In conclusion, Parties which set up an AIJ unit appear to be more successful in attracting financial resources and in ensuring their utilization in priority areas of national development. Furthermore, the increase from 140 to 152 project activities and from 48 to 53 Parties is providing ever greater opportunities for capacity-building through "learning-by-doing" with regard to, *inter alia*, the complexities in setting baselines, the management of AIJ project activities and national institutional processes.

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[14] http://www.unfccc.int/issues/aij.html.
[15] FCCC/SB/1999/5, part one, section II B.

Annex

Figure 1. Regional distribution of AIJ host Parties, 1997-2001
(Number of host Parties)

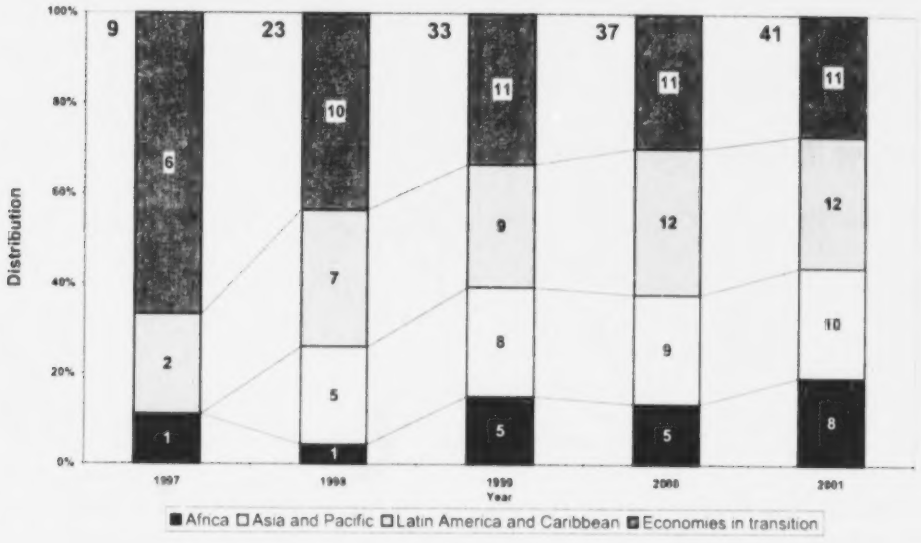


Figure 2. Regional distribution of AIJ project activities, 1997-2001
(Number of project activities)

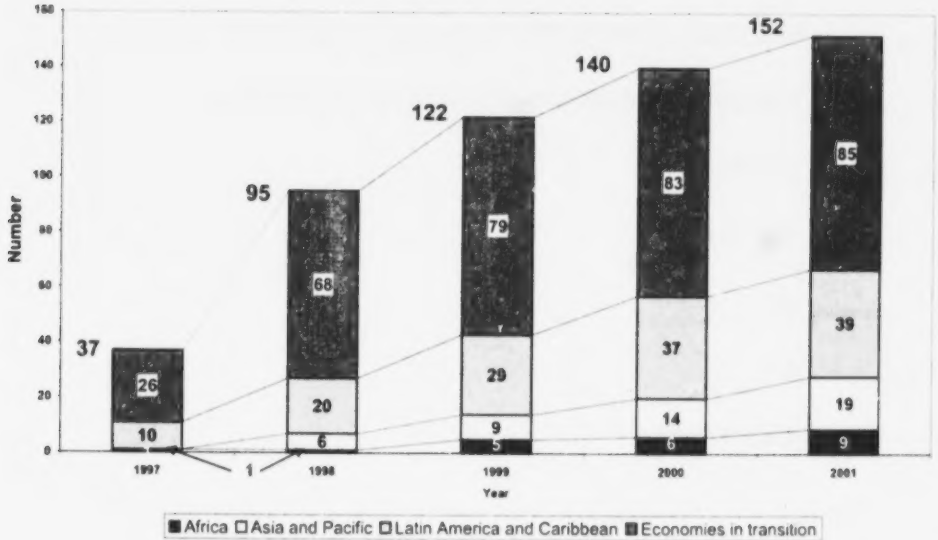


Figure 3. Regional distribution of AIJ project activities by type, 2001
(As a percentage of the total of 152 project activities)

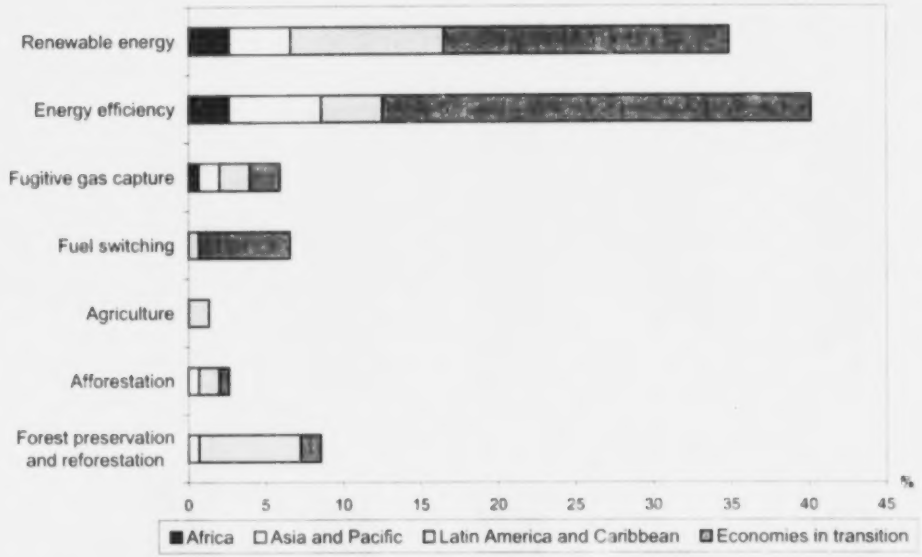
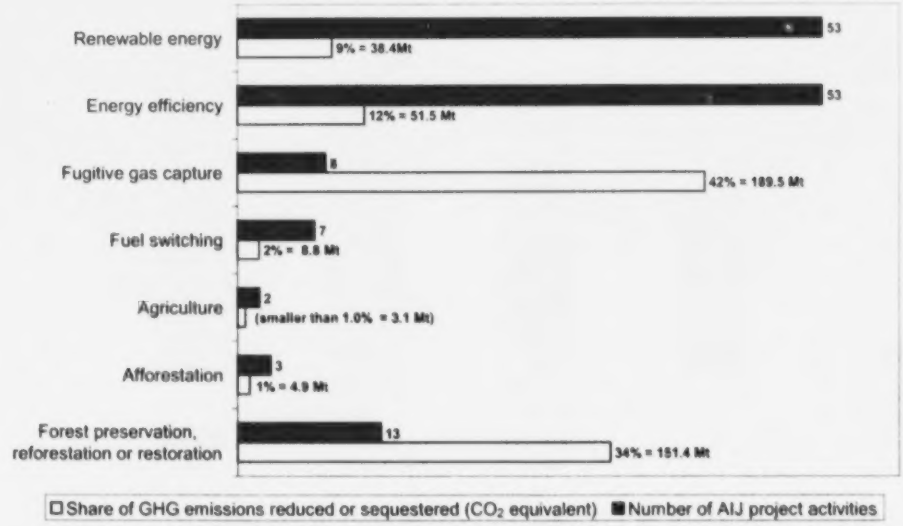


Figure 4. Number of AIJ project activities and GHG emissions reduced or sequestered by type, 2001
(As a percentage of the GHG emissions reduced or sequestered by 139 project activities for which data is available)



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